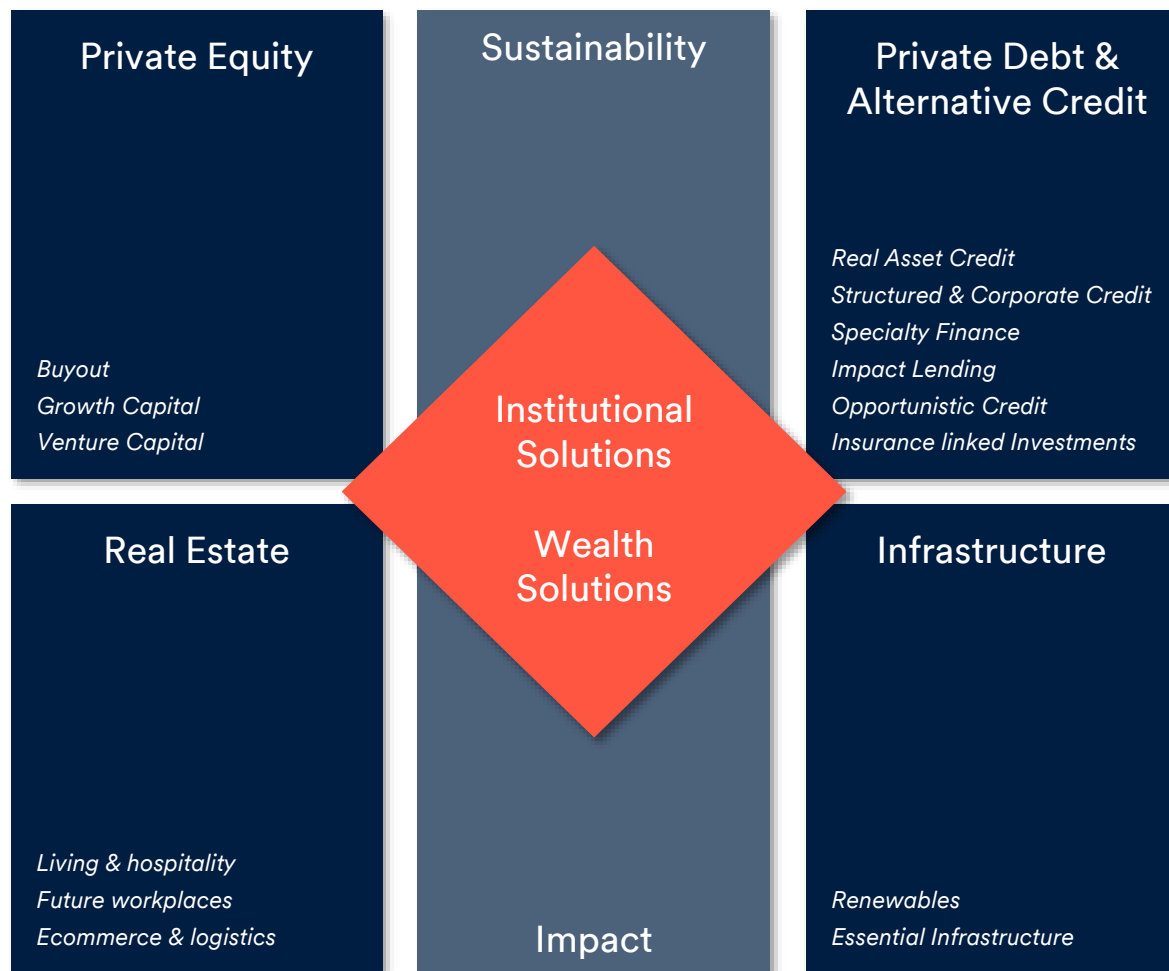


***UNLOCKING VALUE
WITH PRIVATE EQUITY
CO-INVESTMENTS***

Jeremy Knox

Senior Investment Director Private Equity

Schroders capital



\$94bn

assets under management¹

300+

investment professionals

\$20bn

investment volume per year

28

locations on six continents

750+

professionals dedicated to private assets

Schroders Capital Private Equity

Our differentiation



GLOBAL

private equity with integrated solution capabilities

- Direct/co-investments, secondaries and primaries
- Closed-end funds, semi-liquid funds and mandate solutions
- Pioneering sustainability & impact competence



FOCUS

on highest return private equity segments

- Focus on transformational growth in fundamentally strong companies
- >50% of annual investments into direct/co-investments and GP-leds
- 62%¹ primary commitments into access-restricted managers



TEAM

with stable leadership and a local-for-local approach globally

- >15 years tenure of key decision-makers²
- 60+ investment and risk management professionals on 3 continents
- 'One team' and grow from within culture

Past performance is no guarantee of future results.

Source: Schroders Capital, 2024.

¹Includes all primary commitments done by Schroders Capital between January 2020 to December 2022. ²Member of the Investment Committee.

19%

IRR across all investments¹

9%

p.a. outperformance² over MSCI ACWI

\$2.5bn

investment volume per year

236

direct/co-investments

3.1x

MOIC on 75 realized direct/co-investments³

Performance shown net of underlying fund fees, expenses and performance fees and gross of Schroders Capital's fund fees, expenses and performance fees, in € and as of Q3 2023.

¹Including all Schroders Capital Private Equity investments from 2010–2022. ²Based on IRR 2010–2022 compared to MSCI ACWI Long Nickels PME. ³Realized multiple is based on 75 realizations and partial realizations as of 30 September 2023.

Full market coverage and integrated transactional capabilities



Western Buyout

Specialized buyouts in the lower mid-market



Asia Growth

Growth companies capitalising from growing domestic consumption



Global Venture

Focus on top tier, access-restricted venture capital managers

Direct/co-investments

Co-underwriting approach and active direct due diligence

27% IRR

GP-led Secondaries

Lead/co-lead underwriting focused on GP's trophy assets

25% IRR

Primaries

400+ specialized GP relationships worldwide

19% IRR

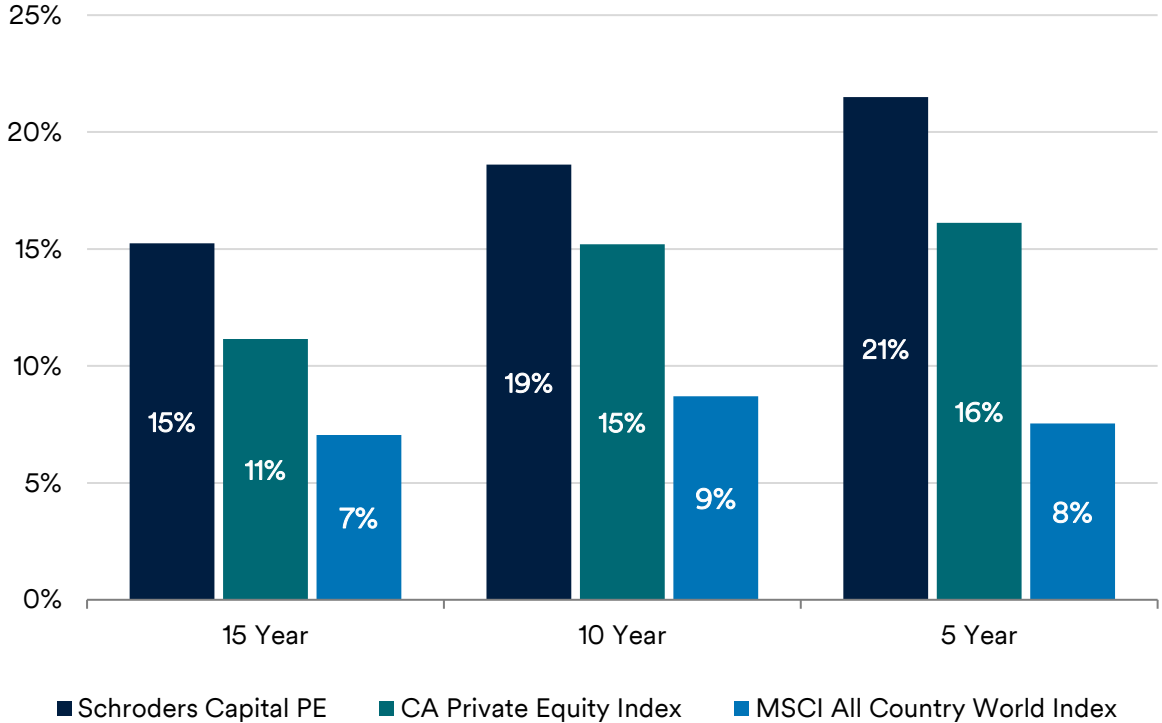
Past performance is not a guide to future performance.

Source: Schroders Capital, 2024.

All performance figures are shown as of Q3 2023. Performance figures for Primaries and GP-leds include all investments from 2010-2022 across all Schroders Capital managed vehicles and are net of underlying fund fees, expenses and performance fees and gross of Schroders Capital fund fees, expenses and performance fees, as calculated in €. Performance figures for direct/co-investments are based on 75 realizations and partial realizations since 2013, the date of the first co-investment made by Schroders Capital.

Schroders Capital: demonstrating consistent outperformance over private equity and public markets

Strong returns vs. public markets¹



Drivers of Private Equity outperformance²

-  Long-term orientation
-  Active management and ownership
-  Alignment of interest
-  Business models oriented towards the future

Past performance is not a guide to future performance.

Source: Cambridge Associates LLC, Schroders Capital, 2024.

¹The index is a horizon calculation based on data compiled from 2,721 private equity funds, including fully liquidated partnerships, formed between 1986 and 2023. CA Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public index's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME NAV is a function of mPME cash flows and public index returns.

Schroders Capital performance shown are as of Q1 2023 and net of underlying fund fees, expenses and performance fees and gross of Schroders Capital's fund fees, expenses and performance fees, calculated in \$ including all investments from 2007/2012/2017-2021. ²The views shared are those of Schroders Capital and may not be verified.

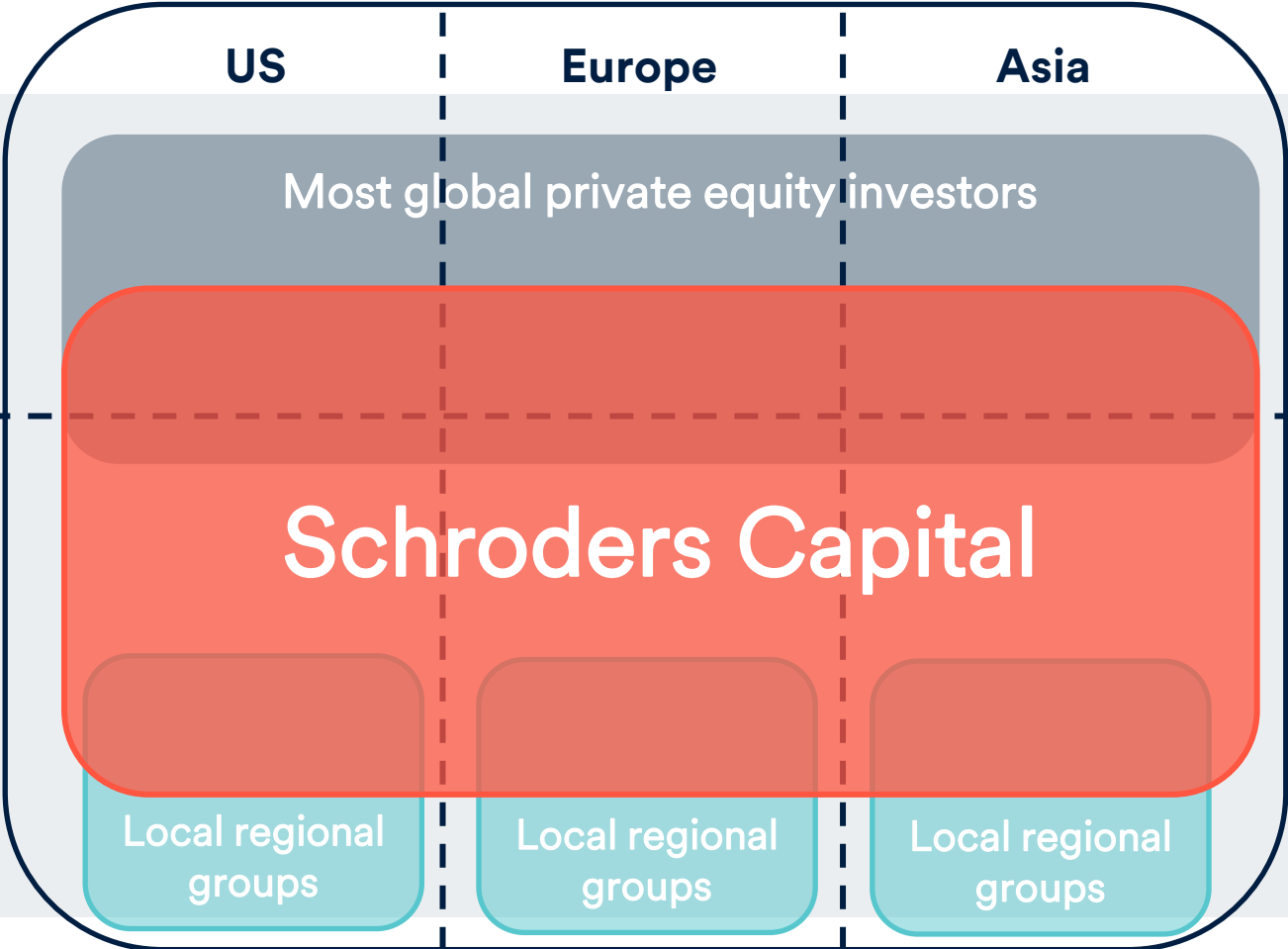
Diving deeper into private equity for attractive return generation

Large cap: EV over 1bn

- + Mature businesses
- Significant dry powder overhang
- Limited number of companies
- Higher leverage/higher prices

Small/mid cap and growth: EV under 1bn

- + Low leverage/attractive entry valuations
- + High transformational growth and return potential
- + The largest proportion of the private equity market
- Larger number of companies makes it hard to identify and more work intensive



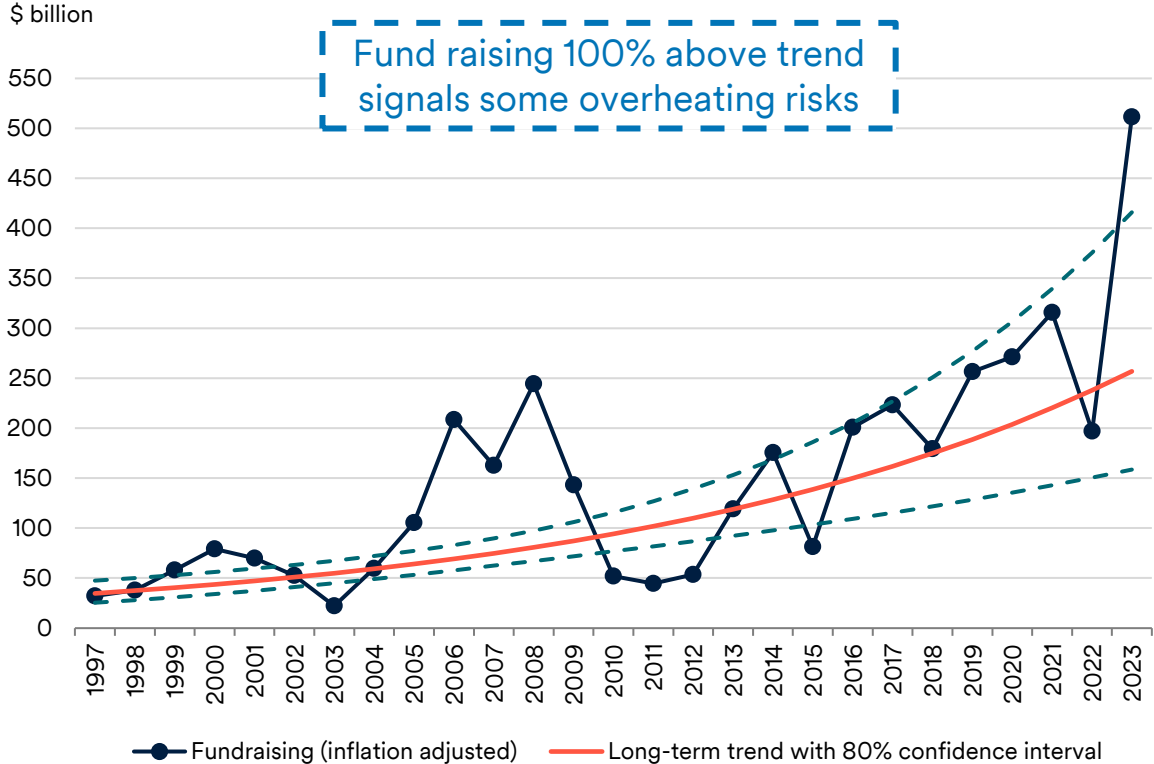
Source: Schroders Capital, 2024.
 The views shared are those of Schroders capital and may not be verified. There can be no assurance that any objective or intended outcome will be achieved.

The background is a dark blue gradient with a complex pattern of thin, dark lines. Some lines are straight and form a grid, while others are curved and wavy, creating a layered, textured effect. The overall aesthetic is modern and technical.

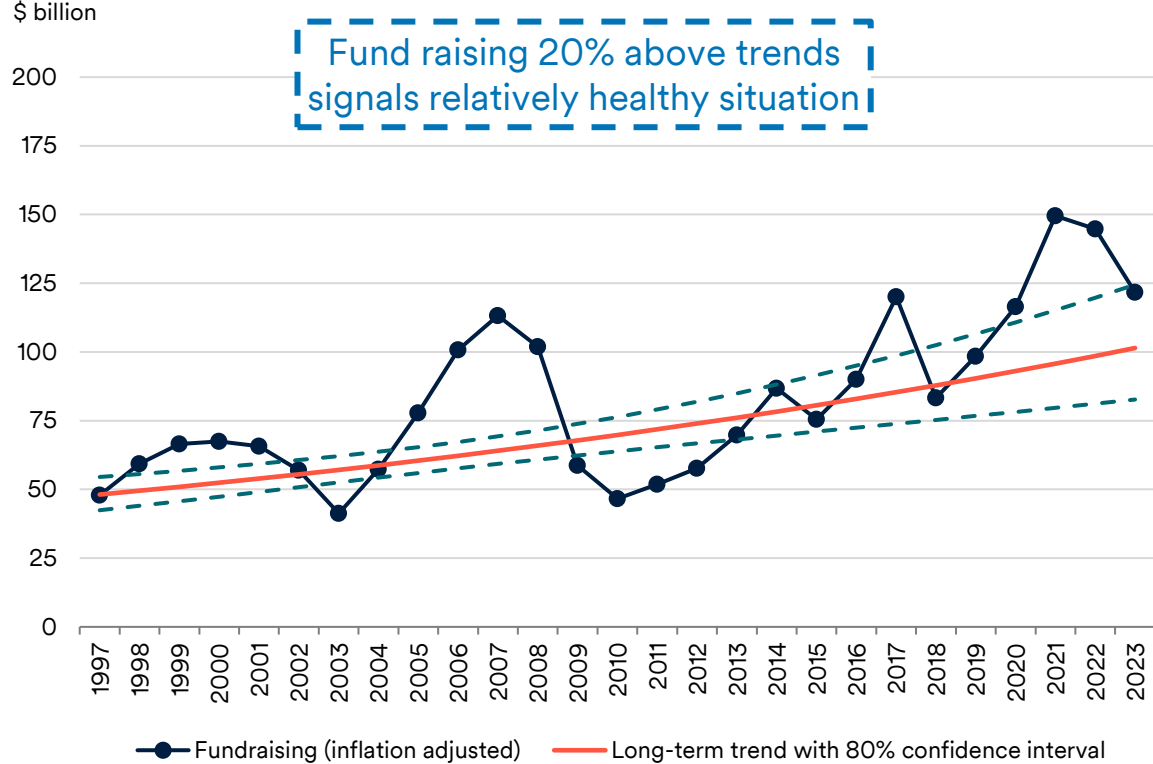
WHY MIDDLE MARKET?

Small/mid buyout has a healthier dry powder situation

Large buyout rolling fund raising and trend (Europe and North America)



Small and mid buyout rolling fund raising and trend (Europe and North America)



Past performance is not a guide to future performance. The views shared are those of Schroders Capital and may not be verified.

Source: Preqin, Schroders Capital, 2024.

Fund raising numbers shown include Europe and North American buyout funds excluding fund of funds and secondaries. Large buyouts: Funds >\$2bn. Small/mid buyouts: Funds <\$2bn. Based on last 12 months data for every year as of end of September.

Small buyouts in Europe and US have healthy entry pricing

EV/EBITDA purchase multiples small and large buyouts (Europe and US)¹

Pro forma trailing EBITDA multiples



Past performance is not a guide to future performance.

Source: Schroders Capital, 2024.

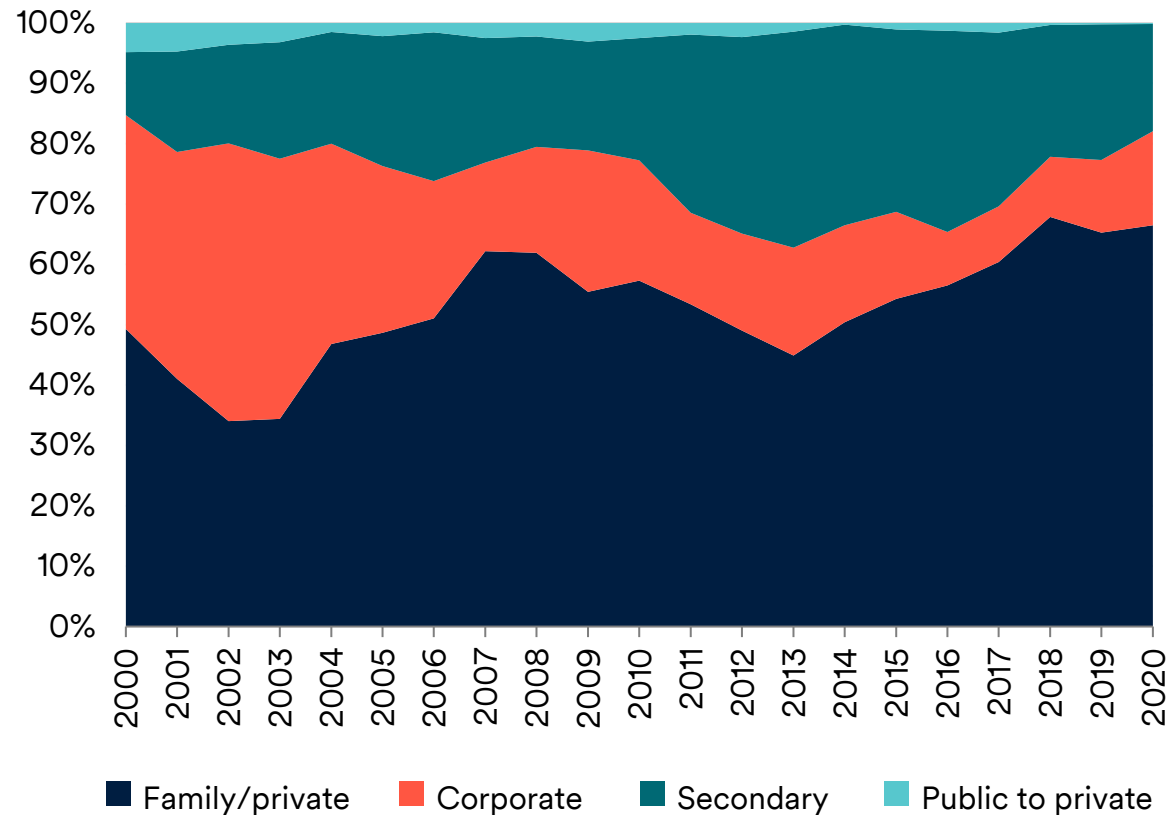
¹Based on data on North American and European market from CapitalIQ and the Baird Global M&A report.

There can be no guarantee that any intended outcome or objective will be achieved.

Most deals from entrepreneurs, families, corporates

High transformation potential

Small European buyout deals by deal source



>60% of deal flow in the small buyout space is sourced from families



Family owned deals are usually proprietary sourced, which give GPs strong negotiation power and attractive entry prices



Family-owned business are often subject to operational inefficiencies, which offers strong upside potential for investors without the use of leverage

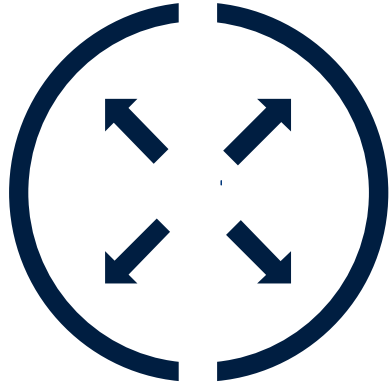
Past performance is not a guide to future performance.

Source: Unquote data, Schroders Capital, 2024.

Small buyouts: deals <€100m enterprise value. The views and opinions are those of Schroders Capital and are subject to change.

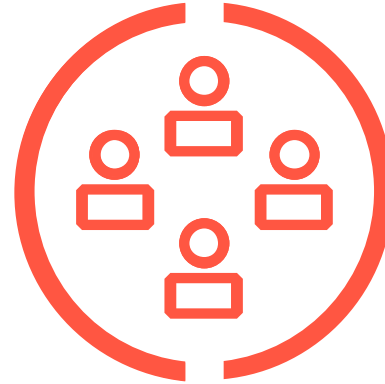
Business transformation as core performance driver

Multiple drivers of value creation



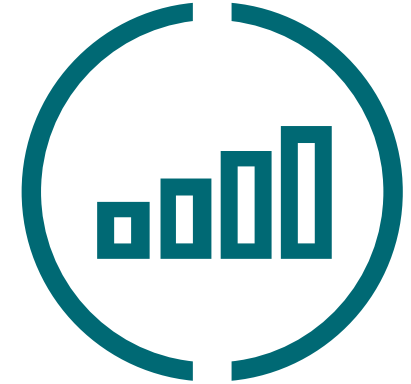
Add-on acquisitions and market consolidation

- Geographic and product expansion
- Large number of family/founder owned businesses



Strengthen management and governance

- Strengthen and support management
- Institutionalize financial planning and reporting



Innovation and growth

- Capital to support internationalisation and product development
- Specialist goods and services with market leadership characteristics or potential

Source: Schroders Capital, 2024.

The views and opinions contained herein are those of Schroders Capital and are subject to change.

The background is a dark blue gradient with a complex pattern of thin white lines and larger, wavy white shapes that create a sense of depth and movement. The lines are mostly vertical and diagonal, while the wavy shapes are more horizontal and fluid.

CO-INVESTMENT OVERVIEW

Co-investment process

Process efficiency is key component to successful co-investment strategy



Sourcing

- Existing GP relationships
- New GP relationships
- Advisors/Intermediaries



Due Diligence

- Screening
- Financial analysis
- Market research
- Expert Networks



Execution

- IC approval process
- Legal execution
- Funding

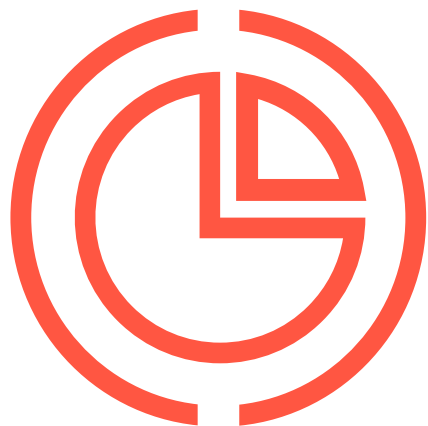


Post-closing

- Monitoring
- Value-add initiatives
- Governance

The benefits of co-investments

Attractive elements of direct investments alongside private equity sponsors



**Portfolio
construction**



**Enhanced
returns**



Alignment

Source: Schroders Capital, 2024.

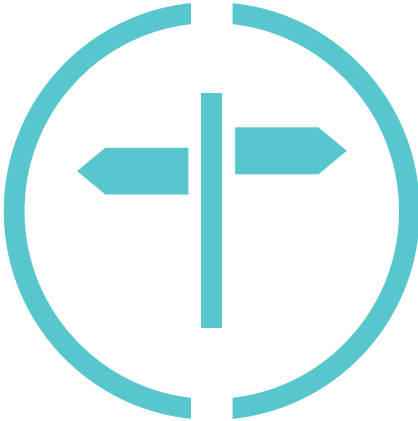
The views shared are those of Schroders Capital and may not be verified. No strategy can ensure future benefits.

Key risks to consider

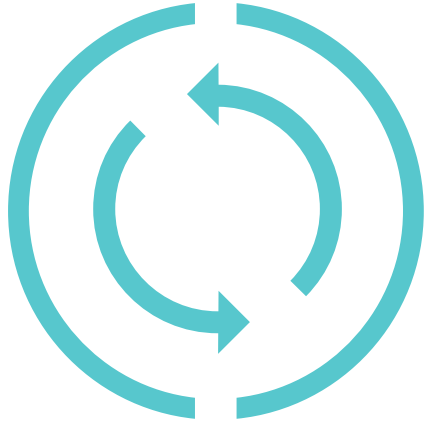
Upside is apparent but careful examination of program considerations is needed



**Resource
intensity**



**Adverse
selection**



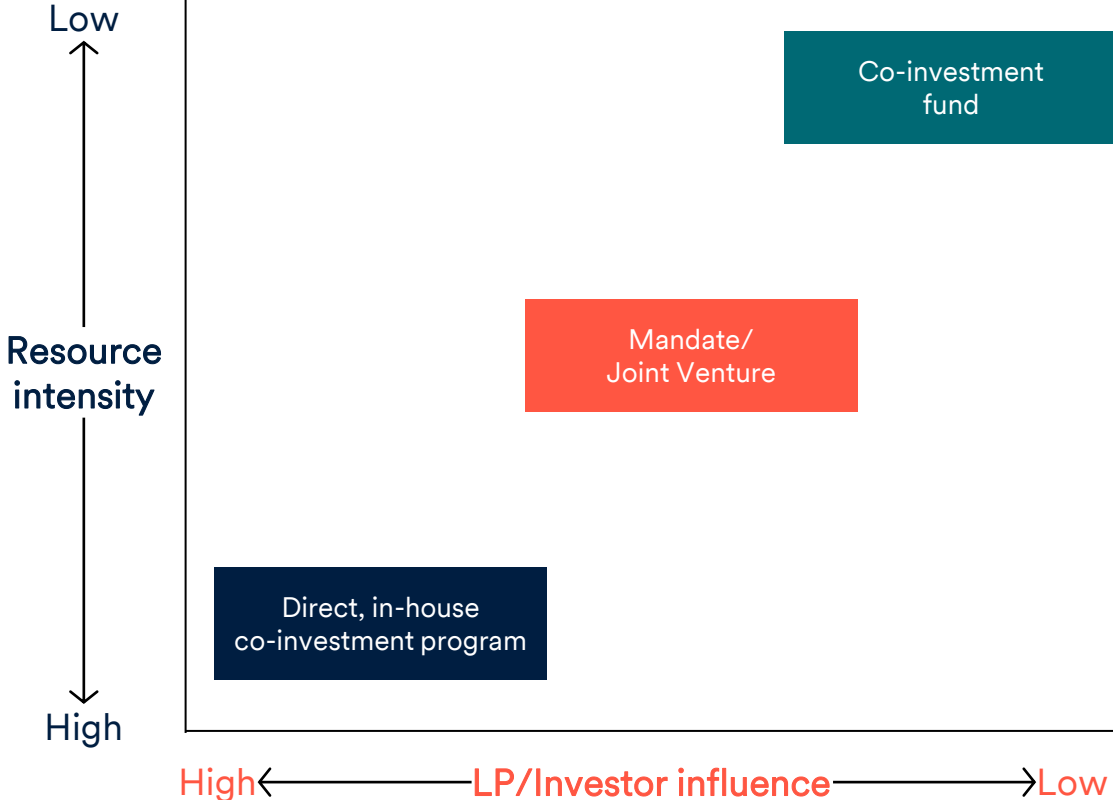
Process

Source: Schroders Capital, 2024.
The views shared are those of Schroders Capital and may not be verified.

Co-investment implementation

Various ways to implement co-investment strategy

Common co-investment implementation options



Implementation considerations

- Co-investment fund**
 - + High diversification
 - + Leverage expertise and GP relationships
 - + Fee efficient
 - Lack of discretion
- Mandate/Joint Venture**
 - + Customization
 - + Leverage expertise and GP relationships
 - + Structuring
 - Decision making
- Direct, in-house co-investment program**
 - + Portfolio construction
 - + Strengthen GP relationships
 - Costly and complex
 - Diversification

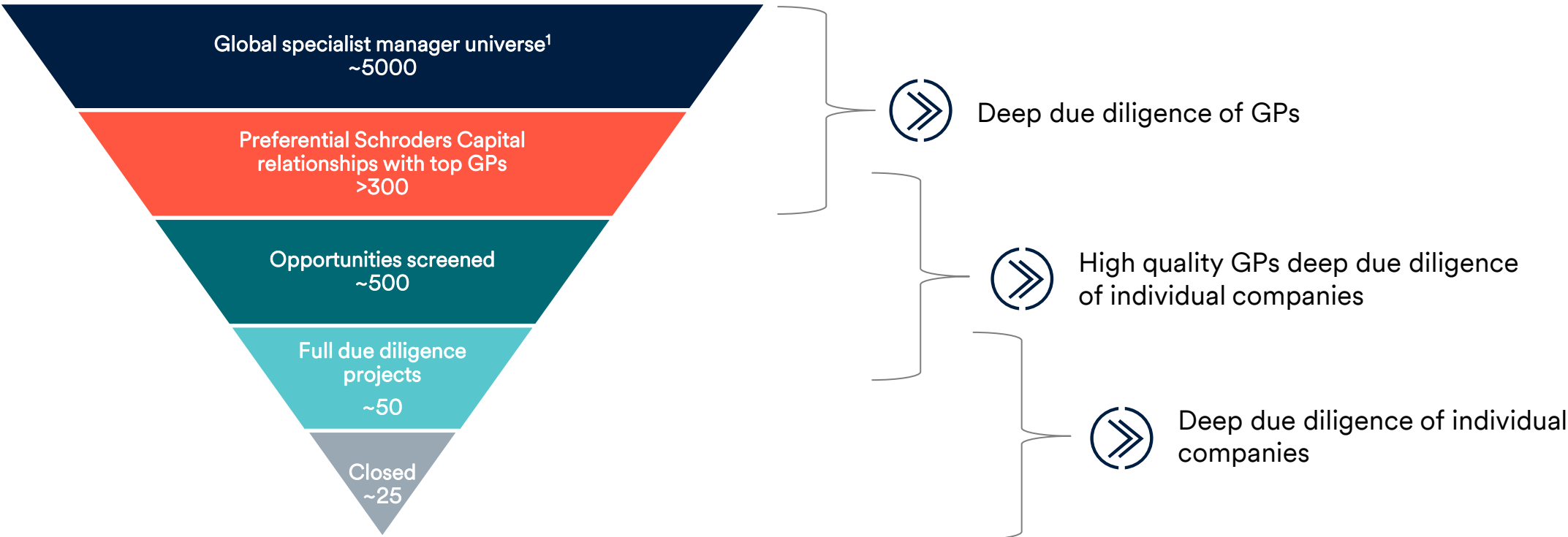
Source: Schroders Capital, 2024.
The views shared are those of Schroders Capital and may not be verified.

Example deal funnel: Strive for high selectivity and 'triple analysis'

Hypothetical target of ~5% hit rate

Broad deal funnel...

...allows selectivity filtered by key investment criteria

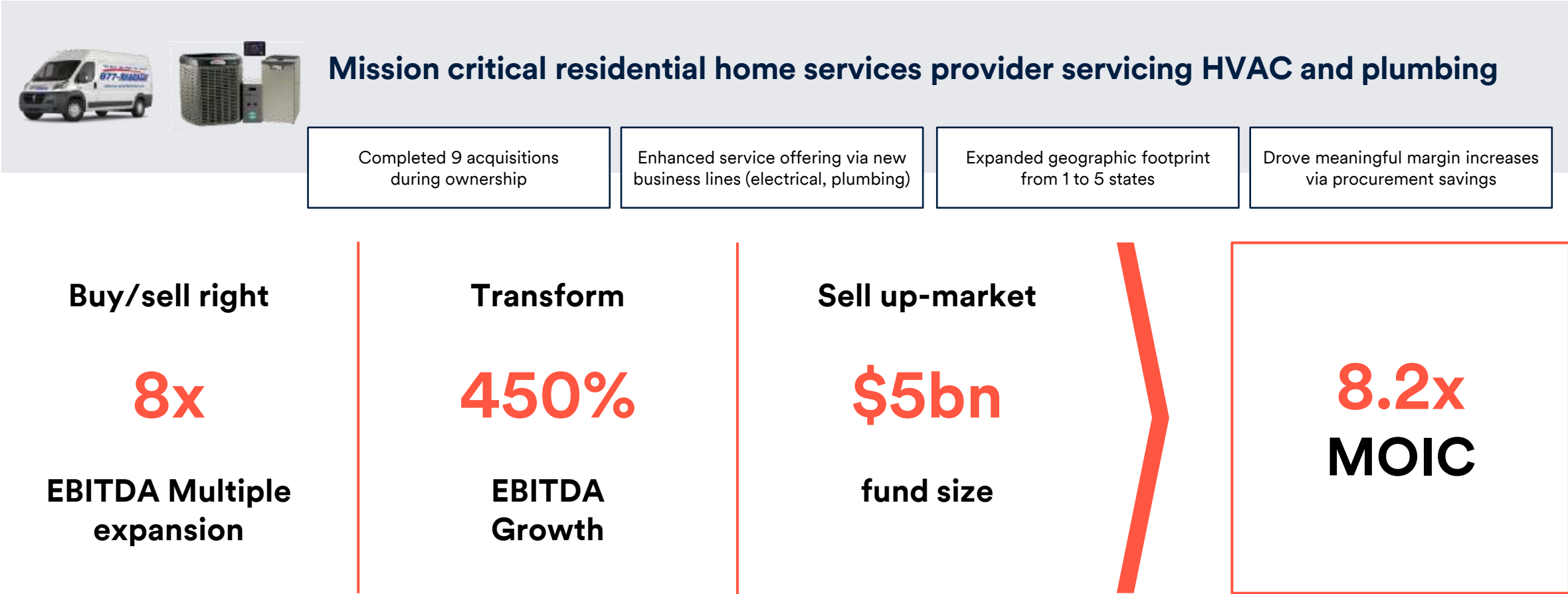


Source: Schrodgers Capital, 2024.

¹Specialised managers: Managers that are specialized on a specific industry (healthcare, consumer, business services, etc.) or strategy (transformational, consolidation, growth, turnaround, etc.). Most specialist managers are managers with a fund volume <€1bn.

Co-investment in action

Investment formula and transformation case study



Past performance is not a guide to future performance.

Source: Company information, Schrodgers Capital, 2024.

MOIC is net of underlying fees and carry and gross of Schrodgers Capital fees and carry in \$. This is a sample of direct Schrodgers Capital investments. Please note that not all our investments perform the way it is demonstrated above. A full list of all investments can be provided upon request.

Proven direct/co-investments practice

236

Number of direct/
co-investments

21%

Net IRR

81%

UN SDG-aligned

75

Total number of exits

27%

Net realized IRR

3.1x

Net realized multiple



Past performance is not a guide to future performance.

Source: Schroders Capital, 2024.

The number of investments closed since 2013 is as of Q3 2023. Performance is net of underlying fees and carry and gross of Schroders Capital fees and carry. Overall performance as of Q3 2023 in €. Realized IRR and multiple is based on full realizations, partially realizations and IPOs as of 30 September 2023 (IPOs valued at last quarter end date). In total there are 236 co-investments of which 192 are aligned to one or more SDG Goal as of 30 September 2023. Images shown are a representative sample of Schroders Capital investments for illustrative purposes only. Logos shown are the property of their own entities.

Co-investment market trends and outlook

Current market backdrop has bifurcated the co-investor landscape



Execution trumps all

- Willingness and ability to execute
- Process, process, process
- Resource intensity



No debt, no problem

- Pullback in lender appetite
- Capital structure considerations
- 'Filling the gap'



Solutions mindset

- Provide more than capital
- Speed and certainty win
- Rinse and repeat

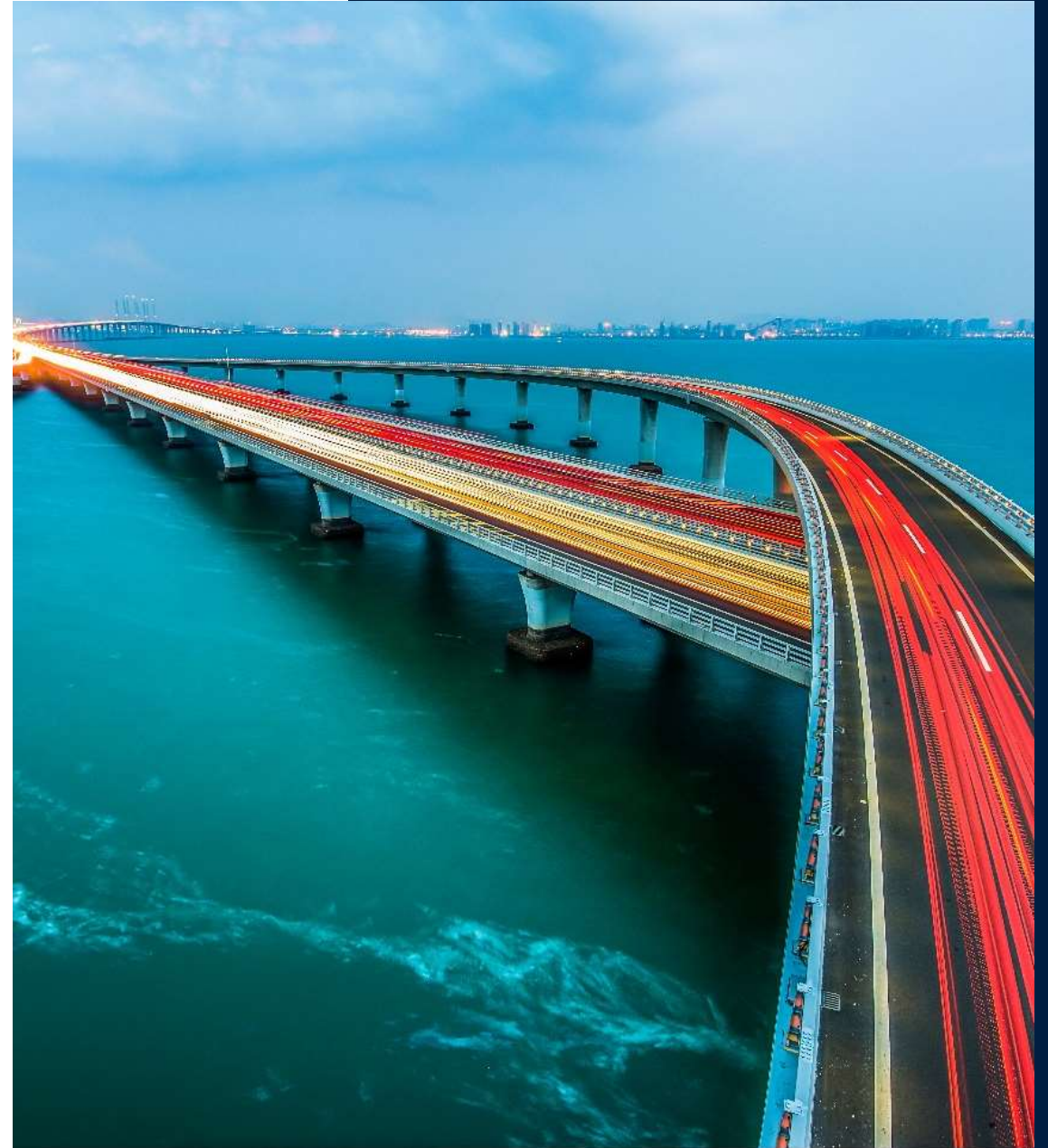
Source: Schroders Capital, 2024.

The views shared are those of Schroders Capital and may be subject to change.

Summary

- Co-investments are growing part of the private equity landscape
- Effective program management is essential
- Resource and time commitment considerations
- Alignment of interests – economics and philosophical
- Portfolio and implementation considerations

Source: Schroders Capital, 2024.



Risk considerations

Capital loss risk	The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested
Market risk	Market risk is the risk of investment losses due to negative effects of the capital markets on the overall performance of the fund
Credit risk	The fund will have an investor commitment/draw-down funding model which exposes the investment vehicle to the credit risk of its investors. If an investor fails to comply with a drawdown notice, the investment vehicle may be unable to pay its obligations when due
Liquidity risk	Given the illiquid nature of private equity investments, investing in private equity are subject to asset liquidity risk. This liquidity risk is a result of the likelihood that a loss from current net asset value would be realised if an asset in the fund needed to be sold quickly in the secondary market to meet the obligations of the fund
Currency risk	Investments in companies or instruments which are denominated in currencies other than the fund's respective currency expose the fund to the risk of losses in case foreign currencies depreciate
Counterparty risk	The target investments may utilise derivative instruments for currency hedging purposes, which expose the fund to the risk of a counterparty defaulting
Operational risk	Operational risks are risks of loss resulting from inadequate or failed internal processes, people and systems, or from external events conducted by Schroders Capital and the managers the fund will invest alongside

Source: Schroders Capital, 2024.

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These estimates are based on, among other things, (i) the terms of the underlying Fund agreements, including provisions relating to Fund expenses, carried interest and management fees, (ii) where available, projections and other estimates provided by underlying funds in connection with Schroders Capital investment due diligence relating to expected and or target return data (such as return multiples and IRRs), (iii) Schroders Capital analysis of portfolio companies of underlying funds, (iv) Schroders Capital interaction with the managers of underlying funds, (v) historical results of fund managers with whom Schroders Capital has previously invested and (vi) publicly available comparables and statistical data as well as other sources considered by Schroders Capital to be reliable and in good faith. Schroders Capital cannot guarantee, represent or warrant the accuracy, completeness and correctness of this information and accepts no liability with respect to such information. Each recipient acknowledges that Schroders Capital access to financial or other business information about underlying fund portfolio companies is limited by various factors, including the completeness of reporting by underlying fund managers and applicable confidentiality restrictions, which are a material mitigating factor with respect to the accuracy of such information. The information expresses Schroders Capital view as of the date stated, which is subject to change. Additional and/or other information may be available at a later stage. Schroders Capital may elect to update the information set forth herein at some point in the future, but specifically disclaims any obligation to do so, even if Schroders Capital estimates or expectations change. The document contains significant uncertainty about the future developments, which is inherent in the current market conditions.

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Gross IRR – Represents the annualized internal rates of return calculated using daily cash flows from the funds managed by Schroders Capital to and from the various partnerships in which the Schroders Capital funds invested during the period specified, after the fees, expenses, and carried interest of the underlying partnership investments, but before the fees, expenses, and carried interest charged the Schroders Capital funds.

Net Total Value/Paid-In (Net TVPI) – Represents distributions plus capital value, divided by paid-in capital. Net TVPI is net of all fees and expenses.

Gross Total Value/Paid-In (Gross TVPI) – Represents distributions plus capital value, divided by paid-in capital. Gross TVPI is net of partnership fees and expenses, but before Schroders Capital fees and expenses.

As an illustration of the impact on performance of these fees compounding over time, see the chart below. The value of a \$5,000,000 account would be reduced by the following amounts due to the compound effect of the management fees. This has been calculated assuming an assumed constant return of 10% per annum and a hypothetical management fee of 0.75% per annum, which has been applied on a simple average of opening and closing annual fund values. The assumed 10% return is hypothetical and should not be considered a representation of past or future returns. The actual effect of fees on the value of an account over time will vary with future returns, which cannot be predicted and may be more or less than the amount assumed in this illustration. Actual fees may differ from the assumed rate presented above. Please consult the Firm's Advisory Brochure (ADV Part 2) for a description of the fees.

	Gross value	Net value	Compound effect
1 Year	\$5,500,000	\$5,460,625	\$39,375
3 Years	\$6,655,000	\$6,513,090	\$141,910
5 Years	\$8,052,550	\$7,768,403	\$284,147
10 Years	\$12,968,712	\$12,069,617	\$899,095

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MSCI index

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